

U.S. DEPARTMENT OF JUSTICE

UNITED STATES TRUSTEE
DISTRICT OF HAWAII
SEPTEMBER 2001

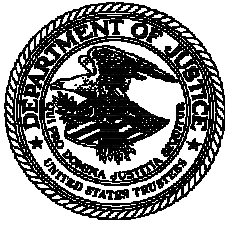
GUIDELINES FOR DEBTORS-IN-POSSESSION

These guidelines have been promulgated by the United States Trustee pursuant to her statutory duty to administer bankruptcy cases. Failure to abide by these guidelines will result in an application to the Court for appropriate relief.

Federal Law provides severe criminal penalties for bankruptcy crimes, which include bribery, concealment of assets, false statements, false claims, filing under a fictitious name and perjury. A party that violates Title 18, United States Code, §152, shall be fined, imprisoned not more than 5 years, or both.

GAYLE J. LAU
ASSISTANT UNITED STATES TRUSTEE

Suite 602
1132 Bishop Street
Honolulu, Hawaii 96813



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**OPERATING
AND REPORTING
REQUIREMENTS FOR
CHAPTER 11 CASES**

UNITED STATES TRUSTEE OPERATING AND
REPORTING REQUIREMENTS FOR CHAPTER 11 CASES

TO THE DEBTOR-IN-POSSESSION AND DEBTOR'S ATTORNEY:

Section 586(a)(3) of Title 28 of the United States Code provides that the United States Trustee shall supervise the administration of Chapter 11 cases. Pursuant to that section, the United States Trustee for the District of Hawaii has promulgated the following requirements.

Timely compliance with each of the following requirements is essential. Any request to amend or modify the United States Trustee requirements must be submitted to and approved in writing by the Office of the United States Trustee. Failure to comply with any requirement not specifically waived in writing may result in the filing of a motion or application to the Bankruptcy Court for appropriate relief.

1. INITIAL DEBTOR INTERVIEW

The Debtor-in-Possession and its counsel are required to meet with the United States Trustee at an Initial Debtor Interview, which should be held seven to ten calendar days after the filing of the petition. The purpose of the meeting will be to discuss the Debtor's particular financial situation, its operating framework under Chapter 11 and the requirements of the United States Trustee.

2. MEETING OF CREDITORS

Generally, within 20 to 40 days after the filing of the petition, a Meeting of Creditors will be held by the United States Trustee. The Debtor and Debtor's attorney are required to appear, and in the case of a joint petition, both Debtors must appear. The Debtor will be examined under oath by the United States Trustee, creditors and other parties in interest in attendance pursuant to 11 U.S.C. Sections 341 and 343 and Bankruptcy Rule 2003(b).

3. BOOKS AND RECORDS

The books and records of the Debtor must be closed out as of the filing date of the petition and new books and records opened immediately thereafter covering the post-petition period of the Debtor-in-Possession.

4. BANK ACCOUNTS

All pre-petition bank accounts and other depositories of which the Debtor has possession, custody, control, ownership or access must be closed upon the filing of the Chapter 11 petition and three (3) new Debtor-in-Possession accounts opened. These three (3) required accounts are the General, Payroll and Tax Accounts. A variance from this requirement may be authorized in writing by the United States Trustee on request of the Debtor-in-Possession supported by a showing of good cause. If the Debtor possesses cash collateral, additional and separate cash collateral accounts must be established and maintained in accordance with 11 U.S.C. Section 363(c)(4). The Debtor may not use cash collateral without the consent of the secured creditor or a court order. See 11 U.S.C. Section 363(c)(2).

The new bank signature cards must clearly indicate that the Debtor is a "Chapter 11 Debtor-in-Possession." The words "Debtor-in-Possession" and the Chapter 11 case number must be imprinted on the face of the checks.

Ace Boat Company, Inc.		No. 1001
Debtor-in-Possession 95-XXXXX		
GENERAL ACCOUNT		
1234 Waikiki Avenue		, 20
Honolulu, HI 96814		
Pay to the		
Order of _____		\$ _____
		Dollars
Memo _____		

All funds held by the bankruptcy estate must be deposited into an account with a financial institution that agrees to comply with the requirements of the United States Trustee. The Debtor-in-Possession accounts shall not exceed the insured or collateralized limits of that approved depository. A list of authorized depositories for the District of Hawaii may be obtained from the Office of the United States Trustee upon request.

All disbursements from the estate must be made by checks drawn on the Debtor-in-Possession accounts. No cash disbursements are allowed, except for minor petty cash disbursements which must be completely itemized and documented in the monthly Operating Reports.

5. PROOF OF INSURANCE COVERAGE

The Debtor-in-Possession, within seven (7) calendar days after the filing of the petition, shall provide the United States Trustee with certificates of insurance showing that each policy of insurance required for the estate is in full force and effect. Each policy shall disclose the type and extent of coverage, effective dates, name of the insurance carrier and the agent's name, address and telephone number. The Debtor-in-Possession must include the address of the United States Trustee on the cancellation notice for each insurance policy. Additionally, the Debtor-in-Possession is required to provide a copy of either a renewed or new policy of insurance prior to the time that any existing insurance is set to expire.

Please note
type of
insurance

ACORD CERTIFICATE OF LIABILITY INSURANCE						DATE (MM/DD/YY) 08/15/01
PRODUCER ABC UNDERWRITERS OF THE PACIFIC P. O. BOX 1234 HONOLULU, HAWAII 96800			THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.			
INSURED A-1 DEBTOR 5678 REORGANIZATION LANE HONOLULU, HAWAII 96800			INSURERS AFFORDING COVERAGE INSURER A: FIRST INSURANCE COMPANY INSURER B: INSURER C: INSURER D: INSURER E:			
COVERAGES THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.						
INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC	TAM-CGL00-00199	5/4/01	5/4/02	EACH OCCURRENCE	\$1,000,000
					FIRE DAMAGE (Any one fire)	\$
					MTD EXP (Any one person)	\$
					PERSONAL & ADV INJURY	\$
					GENERAL AGGREGATE	\$1,000,000
			PRODUCTS - COMP/OP AGG	\$		
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input checked="" type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	TAM-AUT00-00192	4/11/01	4/11/02	COMBINED SINGLE LIMIT (Ea accident)	\$
					BODILY INJURY (Per person)	\$100,000
					BODILY INJURY (Per accident)	\$300,000
					PROPERTY DAMAGE (Per accident)	\$50,000
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
					OTHER THAN AUTO ONLY: EA ACC	\$
					AGG	\$
	EXCESS LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE	\$
					AGGREGATE	\$
						\$
						\$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	TAM-WCN00-00200	5/4/01	5/4/02	<input checked="" type="checkbox"/> WC STATU- TORY LIMITS <input type="checkbox"/> OTHER	\$100,000
					E.L. EACH ACCIDENT	\$
					E.L. DISEASE - EA EMPLOYEE	\$
					E.L. DISEASE - POLICY LIMIT	\$
A	OTHER Burglary Robbery Plate Glass	TAM-MOS00-00201	5/4/01	5/4/02	Limit of Ins. - \$50,000	
		TAM-MRS00-00202	5/4/01	5/4/02	Limit of Ins. - \$25,000 (Inside)	
		TAM-PGL00-00203	5/4/01	5/4/02	Limit of Ins. - \$200,000 (Outside)	
DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS 5678 REORGANIZATION LANE HONOLULU, HAWAII 96800						
CERTIFICATE HOLDER UNITED STATES TRUSTEE SUITE 602 1132 BISHOP ST. HONOLULU, HAWAII 96813			ADDITIONAL INSURED: INSURER LETTER: CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE: <i>[Signature]</i> ABC INSURANCE UNDERWRITERS, L.C.			

Please note
type of
insurance

ACORD DATE (MM/DD/YY) 08/15/01					
CERTIFICATE OF PROPERTY INSURANCE			THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.		
PRODUCER ABC UNDERWRITERS OF THE PACIFIC P. O. BOX 1234 HONOLULU, HAWAII 96800			COMPANIES AFFORDING COVERAGE COMPANY A FIRST INSURANCE COMPANY COMPANY B COMPANY C COMPANY D		
INSURED A-1 DEBTOR 5678 REORGANIZATION LANE HONOLULU, HAWAII 96800					
COVERAGES THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.					
CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	COVERED PROPERTY
A	<input checked="" type="checkbox"/> PROPERTY	TAM-FIR00-00204	5/4/01	5/4/02	<input checked="" type="checkbox"/> BUILDING
	CAUSES OF LOSS				<input checked="" type="checkbox"/> PERSONAL PROPERTY
	<input type="checkbox"/> BASIC				<input checked="" type="checkbox"/> BUSINESS INCOME
	<input type="checkbox"/> BROAD				EXTRA EXPENSE
	<input type="checkbox"/> SPECIAL				BLANKET BUILDING
	<input checked="" type="checkbox"/> EARTHQUAKE				BLANKET PERS PROP
<input checked="" type="checkbox"/> FLOOD					BLANKET BLDG & PP
	<input type="checkbox"/> INLAND MARINE				
	TYPE OF POLICY				
	CAUSES OF LOSS				
	<input type="checkbox"/> NAMED PERILS				
	<input type="checkbox"/> OTHER				
	<input type="checkbox"/> CRIME				
	TYPE OF POLICY				
	<input type="checkbox"/> BOILER & MACHINERY				
	<input type="checkbox"/> OTHER				
LOCATION OF PREMISES/DESCRIPTION OF PROPERTY 5678 REORGANIZATION LANE HONOLULU, HAWAII 96800					
SPECIAL CONDITIONS/OTHER COVERAGES Covered Causes of Loss: Extended Coverage, Tidal Wave, Flood, Highwater & Overflow, Sprinkler Leakage, Riot/Strike					
CERTIFICATE HOLDER UNITED STATES TRUSTEE SUITE 602 1132 BISHOP ST. HONOLULU, HAWAII 96813			CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE <i>E. A. J. J. J.</i>		

Generally, the following types of insurance coverage must be shown to exist:

- A. General Comprehensive/Public Liability
- B. Casualty Coverage (if the Debtor has tangible assets susceptible to loss by fire, weather, theft, vandalism, etc.)
- C. Worker's Compensation
- D. Vehicle
- E. Product Liability
- F. Any other insurance coverage customary in the Debtor's business

6. PROJECTED 90-DAY PROFIT AND LOSS STATEMENT

The Debtor-in-Possession, within seven (7) calendar days after the filing of the petition, is required to submit a Projected 90-Day Profit and Loss Statement for the first ninety (90) days of operation under Chapter 11. The Statement must be submitted in the form of a profit and loss statement which includes an itemized list of income and expenses. The original of the Statement should be filed with the Clerk of the Bankruptcy Court and a copy submitted to the United States Trustee. A Projected 90-Day Profit and Loss Statement form may be obtained from the United States Trustee's office.

7. MONTHLY OPERATING REPORTS

The Debtor-in-Possession shall file a monthly Operating Report in substantial conformity to the form report attached hereto. The Operating Report for each month is ***due no later than the 20th day*** of the following month. The original of the Report should be filed with the Clerk of the Bankruptcy Court and a file-marked copy submitted to the United States Trustee.

Individual Debtors

Individuals who file Chapter 11 are subject to the same requirements as businesses. The monthly operating reports must include information regarding each entity owned and/or operated by the debtor(s). Debtors must include the income statement and balance sheet for each entity, a list of all distributions made to the debtor(s), and a list of all transactions that are not in the ordinary course of business.

8. POST-CONFIRMATION REPORTS

The United States Trustee will require periodic reports after confirmation of a Plan of Reorganization until the Court grants a Final Decree. The information required to be reported and the frequency of the reports will be determined at the time the Plan is confirmed.

9. REAL PROPERTY QUESTIONNAIRE

The Debtor, within seven (7) calendar days after the filing of the petition, shall submit a Real Property Questionnaire for each parcel of real property owned or leased by the Debtor. Real Property Questionnaires may be obtained from the United States Trustee's office. The original of the Questionnaire should be filed with the Clerk of the Bankruptcy Court and a copy submitted to the United States Trustee.

10. PHYSICAL INVENTORY

The Debtor, within thirty (30) calendar days after the filing of the petition, is required to submit a physical inventory as of the date of the Chapter 11 filing which provides an itemized cost value of the inventory held by the estate. The method used in determining the cost of inventory must be specified. The original of the inventory should be filed with the Clerk of the Bankruptcy Court and a copy submitted to the United States Trustee.

11. UNITED STATES TRUSTEE QUARTERLY FEES

Pursuant to 28 U.S.C. Section 1930(a), Debtors-in-Possession and trustees in Chapter 11 are required to pay a quarterly fee.

Fees must be paid to the United States Trustee each calendar quarter based upon the dollar value of disbursements made during that calendar quarter. Fees for the first quarter are calculated from the date of the filing of the petition to the end of that calendar quarter. Fees for the last quarter are calculated from the beginning of that quarter until the date of entry of an order of final decree or dismissing or converting the case. A minimum fee of \$250 is due each quarter even if no disbursements are made during that period. Also, a Chapter 11 case pending even one day during a quarter requires full payment of the fee for that period.

FEE SCHEDULE

TOTAL QUARTERLY DISBURSEMENTS	QUARTERLY FEE
\$Less than \$15,000.00	\$ 250
15,000 to 74,999.99	500
75,000 to 149,999.99	750
150,000 to 224,999.99	1,250
225,000 to 299,999.99	1,500
300,000 to 999,999.99	3,750
1,000,000 to 1,999,999.99	5,000
2,000,000 to 2,999,999.99	7,500
3,000,000 to 4,999,999.99	8,000
5,000,000 and above	10,000

Fee payments are due no later than one (1) month following each quarter. If a plan is confirmed, payment of any outstanding quarterly fees must be made on or before the effective date of the plan. The amount of fees owed must be substantiated through the filing of ongoing United States Trustee Operating Reports. The maximum fee of \$10,000 per quarter may be imposed in cases where substantiation of the fee amount cannot be determined due to the Debtor's failure to file timely Operating Reports.

Quarterly fees should be mailed to:

United States Trustees
Post Office Box 198246
Atlanta, Georgia 30384

If any check is returned, then all future quarterly fees payments must be made by cashier's check, certified funds or money order.

Failure to pay the quarterly fee is cause for conversion or dismissal of the Chapter 11 case pursuant to 11 U.S.C. Section 1112(b)(10).

12. POST-PETITION TAXES, WAGES AND OTHER EXPENSES OF ADMINISTRATION

The Debtor-in-Possession must remain current with all expenses of administration during the pendency of the Chapter 11 case. The Debtor-in-Possession, as a fiduciary, must withhold, collect and deposit all taxes owed to the Internal Revenue Service and state and local taxing authorities. These taxes include, but are not limited to, federal and state unemployment insurance, real property and sales and use taxes. All administrative priority wages, employee related payments and other expenses of administration must be paid as they become due.

13. OBTAINING CREDIT

11 U.S.C. Section 364(b) provides that the Debtor-in-Possession may not obtain credit nor incur unsecured debt other than in the ordinary course of business without prior Court approval. Section 364(c) requires Court approval before the obtaining of credit or the incurring of debt with priority over certain administrative expenses. Section 364(c) and (d) require Court approval before obtaining credit or incurring debt that is secured by a lien on property of the estate. The Debtor-in-Possession should also consult with its attorney before extending credit or lending funds to third parties. The Debtor-in-Possession shall serve the United States Trustee with a copy of any application or proposed stipulation filed with the Court.

14. USE, SALE OR LEASE OF PROPERTY OF THE ESTATE

11 U.S.C. Section 363(b) requires a Debtor to obtain prior Court approval for the use, sale or lease of property of the estate when such use, sale or lease of property is not in the ordinary course of business of the Debtor. The Debtor shall serve the United States Trustee with a copy of any such application filed with the Court.

15. EMPLOYMENT OF ATTORNEYS AND OTHER PROFESSIONALS

A Debtor may employ an attorney, accountant or other professional only upon authorization by the Court. See 11 U.S.C. Sections 327 through 331 and Bankruptcy Rules 2014, 2016 and 2017. After the filing of the petition, a Debtor may only pay the attorneys, accountants or other professionals after receiving an order from the Court.

16. PRE-PETITION DEBT

There are specific prohibitions and restrictions against payment of certain debts incurred prior to the filing of the petition without Court authorization. The Debtor is cautioned to consult with its attorney regarding any payment of pre-petition debts.

17. CHANGE OF ADDRESS OR TELEPHONE NUMBER

The Debtor must notify the United States Trustee, in writing within forty-eight (48) hours, of any change of address or telephone number of the Debtor.

18. SERVICE ON THE UNITED STATES TRUSTEE

The Debtor must serve the United States Trustee with a copy of all documents submitted to the Bankruptcy Court and all matters served on parties in interest pursuant to the Bankruptcy Rules. See Federal Rules of Bankruptcy Procedure Rule 2002(k).

19. MODIFICATIONS

The United States Trustee may amend or modify, in writing, at any time, the requirements of a particular Chapter 11 case. Additional requirements may include the submission of audited and unaudited financial statements, state and federal payroll tax returns, state sales tax returns (with all schedules and attachments), copies of trust agreements or conveyances and examination of the Debtor's books, records and bank statements.